Qwest
Spirit of Service

Qwest
607 14th Street NW, Suite 950
Washington, DC 20005
Phone 202.429.3120
Fax 202.293.0561

Melissa E. Newman
Vice President-Federal Regulatory

EX PARTE

Filed electronically via ECFS

April 7, 2006

Marlene H. Dortch
Secretary
Federal Communications Commission
Room TW B-204
445 12th Street, S.W.
Washington, DC 20554

RE: In the Matter of the Joint Board on Universal Service, CC Docket No. 96-45

Dear Ms. Dortch:

On March 21, 2006, representatives of Qwest met with members of the Wireline Competition Bureau to discuss Universal Service Fund ("USF") contribution methodology (*see* attached ex parte, filed March 21, 2006). During the meeting, Qwest was asked to provide further information on certain aspects of our proposal for changes to the current contribution methodology. This letter serves as our response to that request.

What is the impact to Qwest of using Unique Working Telephone Numbers (UWTN) as proposed by Qwest as compared to using Numbering Resource Utilization Forecast (NRUF) numbers?

Utilizing Qwest's definition of UWTN means that 42.9 % of the NRUF numbers currently assigned to Qwest would be used for purposes of calculating the numbers-based portion of the USF contribution.

Of the amounts currently contributed by Qwest today, what percentage would be based on revenue under this proposal, and what percentage would be based on numbers?

	Qwest Companies			
	IXC	ILECs	Wireless	Total *
Sub-Total to Revenue Recovery	34.1%	46.3%	0.0%	39.4%
Sub-Total to Numbers Recovery	65.9%	53.7%	100.0%	60.6%
Grand Total	100.0%	100.0%	100.0%	100.0%

* *The Total column represents the weighted average of the combined Qwest interexchange carrier ("IXC"), incumbent local exchange carrier (" ILEC") and wireless operations and cannot necessarily be extrapolated to other RBOCs.*

Why does Qwest recommend an 18 month Implementation period?

Experience with implementing changes of this magnitude, such as those required for the implementation of LNP, resulted in the identification of the following activities that must be accomplished to ensure an effective transition. It is Qwest's best estimate that it will require 18 months to complete these steps:

- Identify the subject matter experts and technical resources that will work on the effort. Create a detailed project plan and assign resources accordingly. (One month)
- Identify and document all of the impacted business rule and process changes required by the FCC order. (Two months)
- Identify all impacted software components and corresponding changes to those components as a result of the FCC order and related business rule/process changes. Design/document the detailed changes required for those software components. (Two months)
- Modify the impacted software components per the system design and then document and test each software component. (Six months)
- Create a test environment containing all of the modified system components and document/test that the modified components function correctly. (Two months)
- Document and test the new system components to ensure they meet the requirements of the FCC order. Test the entire billing flow from order to bill issuance to ensure proper functionality. (Two months)
- Design, document, and deliver via training all appropriate information to enable those working with the new systems to perform the appropriate business functions required by the FCC order and in alignment with the system changes. (Two months)
- Schedule and migrate all software components to the production environment and notify all operations teams to begin to comply with the FCC order. (One month)

Why should the FCC establish a means of cost recovery for implementation of any methodology change it adopts in this proceeding?

As the Commission did with local number portability ("LNP"), it should permit ILECs to recover carrier-specific direct costs of implementing the Commission's mandate -- in this case developing and deploying a new contribution methodology -- through a monthly charge to end users for a specific period of time. In authorizing ILECs to recover certain costs of implementing LNP, the Commission determined that allowing carriers to recover carrier-specific direct costs for LNP through a charge to end users allows cost recovery in a competitively neutral manner.[1]

If the Commission implements a new contribution methodology, there may be significant costs incurred by contributing carriers to enable contributions to universal service on the new basis. The Commission has added competitive neutrality as an additional principle to be considered in

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[1] *In the Matter of Telephone Number Portability*, Third Report and Order, 13 FCC Rcd 11701, 11707 ¶ 9, 11725-26 ¶ 39 (1998).

implementing the universal service program.[2] Permitting cost recovery here in a manner similar to that permitted for LNP would recognize and support the competitive neutrality principle in the universal service context and ensure that the costs of implementing a new universal service contribution methodology will not discourage competition or otherwise interfere with the goal of making telephone service universally available.

Does Qwest have an estimate for the costs to implement a methodology change?

Costs to implement any systems changes required by a new approach to USF contribution will be dependent upon the complexity of the methodology adopted by the Commission. Qwest cannot estimate these costs without more specific requirements.

How would the FCC Implement such a Change? Would there be a Transition period or a Flash Cut?

Qwest suggests the following steps would be involved in changing from a revenue-based USF contribution system to a numbers and revenue hybrid system:

1. The FCC issues an information request to current contributors to the Federal USF.
    a. Requests interstate reported revenue separated into:
        i. The "numbers" service category (subscriber line charge; long distance; operator services; and interstate wireless revenue)
        ii. The "revenue" category (private line and special access to end-user customers; and pre-paid calling cards)
    b. Requests the quantity of Unique Working Telephone Numbers (per Qwest's definition contained in the attached March 21, 2006 ex parte)
2. The FCC issues an information request for the quantity of Unique Working Telephone Numbers (per Qwest's definition contained in the March 21, 2006 ex parte) from VoIP providers and others who utilize NANP numbers to provide service to their end users but do not currently contribute to the USF fund.
3. The FCC determines the amount of the fund to be recovered from the revenue base and the amount to be recovered from numbers. The proportional determination will be based on its policy decision of an equitable recovery of fund costs between enterprise, residential, and small business users. Qwest recommends that the size of the overall fund used for these determinations be capped at the 2004 fund level in accordance with Qwest's recommendations for reforming the rural and non-rural high cost funds.
4. The FCC determines the revenue surcharge and the per-number surcharge based on the information in #1 through #3 above.

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[2] *See In the Matter of Federal-State Joint Board on Universal Service*, Report and Order, 12 FCC Rcd 8776, 8801 ¶ 47 (1997).

5. The FCC implements the new methodology via a "flash cut" after carriers are allowed a sufficient time period (Qwest recommends 18 months) to develop systems to support the new methodology. "Flash cut" implies that all billing for Universal Service occurring after the "flash cut" date will be based on the new methodology.
6. In order to move to a collect and remit process, the FCC may establish higher surcharge levels in the first six months of the program in order to build a reserve fund. After the reserve fund meets the required level, the surcharges may be lowered to meet the on-going fund requirements.

If you need additional information, please contact me at 202.429.3120 or Lynn Starr at 202.429.3125.

Sincerely,

/s/ Melissa E. Newman

Melissa E. Newman
Vice President-Federal Regulatory
Qwest

cc via e-mail to

Cathy Carpino
Greg Guice
Narda Jones
Carol Pomponio
Amy Bender
Jim Lande

Attachment

Qwest
607 14th Street NW, Suite 950
Washington, DC 20005
Phone 202.429.3120
Fax 202.293.0561

Melissa E. Newman
Vice President-Federal Regulatory

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EX PARTE

FILED ELECTRONICALLY VIA ECFS

March 21, 2006

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Room TW-A325
Washington, DC 20554

RE: In the Matter of the Joint-Board on Universal Service, CC Docket 96-45.

Dear Ms. Dortch:

On March 21, 2006, Melissa Newman, Lynn Starr, Mary Retka, Peter Copeland (in person), Tiffany Smink and Molly Martin (by phone), all of Qwest, met with Cathy Carpino, Greg Guice, Narda Jones, Carol Pomponio, Amy Bender and Jim Lande of the Wireline Competition Bureau to discuss universal service contribution methodology.

The attached document was used as the basis for the discussion.

Sincerely,

/s/ Melissa E. Newman

Attachment

Copy via email to:
Cathy Carpino
Greg Guice
Narda Jones
Carol Pomponio
Amy Bender
Jim Lande

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Universal Service Contribution Methodology

March 21, 2006

KEY ASPECTS OF ANY CONTRIBUTION METHODOLOGY CHANGE

- Should be competitively neutral and require equitable contributions of all providers who utilize NANP numbers: VoIP, Wireless, Paging, Wireline and Satellite
- Should ensure the burden of USF is fairly shared among all end users of competing services
- Should ensure equitable contributions by all providers of interstate telecommunications services
- Should not influence or drive customer purchasing behavior

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NUMBERS + REVENUES CONTRIBUTION METHODOLOGY

- Qwest proposes a hybrid solution which combines "numbers-based" and "revenue-based" methodologies to determine provider contributions for interstate services

NUMBERS
CONTRIBUTION METHODOLOGY

- A contribution should be required for each unique working NANP telephone number for services that are numbers-based
- The provider who has the retail relationship with the end-user customer should be responsible for the contribution

NUMBERS CONTRIBUTION METHODOLOGY

- **Utilizes NANP numbers assigned to a specific end user that provide the ability to send and/or receive calls**
  - Each Unique Working Telephone Number (**UWTN**) will be assessed 1 unit and the contribution will be determined as follows:
    - Included in the Contribution:
      - PSTN Numbers (used to send/receive calls, including FAX numbers)
      - Numbers used for VoIP
      - Numbers "Ported In" from another carrier
      - Wireless numbers
      - Paging numbers
      - 800 toll-free numbers, 500 and 900 numbers
      - Exceptions
        - » PBX trunks should be assessed 1 unit regardless of the number of UWTNs associated with the trunk
        - » ISDN PRI should be assessed 5 units consistent with the Subscriber Line Charge (SLC)
        - » Centrex numbers should be assessed 1 unit for each 9 UWTNs, consistent with the Subscriber Line Charge (SLC)
    - Excluded from the Contribution:
      - Numbers provided to Resellers (Resellers are responsible for the contribution)
      - Numbers "Ported Out" to another carrier (the carrier with the end-user relationship is responsible for the contribution)
      - Numbers used for UNE-P/QPP or like services (the carrier with the end-user relationship is responsible for the contribution)
      - Numbers used for administrative purposes as defined in 47 CFR 52.15(f)(i)
      - Aging numbers as defined in 47 CFR 52.15(f)(ii)
      - Numbers available as defined in 47 CFR 52.15(f)(iv) but unassigned to end users
      - Reserved numbers as defined in 47 CFR 52.15(f)(vi)
      - Numbers donated back to the industry pool

REVENUES-BASED CONTRIBUTIONS

- Providers of interstate transport services to end users will contribute to the fund based on revenues from:
  - Private line and dedicated services not associated with numbers, such as (but not limited to):
    - DS1
    - DS3
    - OCN
    - DDS
    - Frame Relay
    - Voice Grade

- Excludes wholesale products provided to wholesale customers/carriers as is currently done today

ADVANTAGES OF QWEST'S HYBRID NUMBERS + REVENUE PROPOSAL

- Minimizes the debate over shifting the USF burden between different customer classes
  - Residential versus Large Business
- Avoids disputes over the number of "equivalents in a pipe" or where equitable "mbps dividing lines" should be drawn in determining "tiers" for high-capacity services offered by different providers and technologies

COMMENTS ON OTHER PROPOSALS

- Capacity-based “tiered” units per connection proposals are arbitrary and result in shifts of USF contributions

  (ICF ex parte Nov. 21, 2005; USTelecom ex parte Jan. 11, 2006; AT&T ex parte Mar. 15, 2006)

- Claims that multiple lines in a wireless “family plan” deserve a reduced assessment are inconsistent with a numbers-based methodology which is technology neutral

  (CTIA ex partes Jan. 25, 2006, Feb. 16, 2006; Verizon ex parte Mar. 3, 2006)

  – All wireless numbers should be assessed 1 “unit”

- Suggestions that DSL and cable modem should be included in the universe of non-switched connections contradict the FCC’s Broadband Order

  (USTelecom ex parte Jan. 11, 2006; AT&T ex parte Mar. 15, 2006)

  – Contribution should not be assessed on DSL and Cable Modem

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IMPLEMENTATION

- **IMPLEMENTATION PERIOD – 18 months**
  - Changes should be grounded in industry-wide, clear definitions and should be reconcilable with current tracking, billing and reporting systems
  - Requires system revisions and IT work for existing contributors
  - Requires training and systemization for new contributors
  - All changes should occur at the same time – no phase-in

- **PAYMENTS**
  - Should not require payments on forward-looking estimates, but utilize a collect and remit process based on *actual* collections from UWTNs and interstate end-user revenue

- **COST RECOVERY**
  - The Commission should establish a means of cost recovery for implementation of any methodology changes analogous to the cost recovery mechanism utilized for LNP implementation